

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )  
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Local Exchange Carriers' Rates, Terms, )  
and Conditions for Expanded )  
Interconnection for Special Access )

CC Docket No. 93-162

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARYREBUTTAL OF AMERITECH

Ameritech<sup>1</sup> submits this rebuttal in response to comments on its direct case submitted in this Docket. In the following pages, Ameritech will respond to comments on its direct case and will demonstrate that they pose no substantial obstacle to the Commission's approval of Ameritech's interconnection tariff.

I. RATES

The staff of the Public Utility Commission of Ohio ("PUCO") complains that Ameritech did not list each rate element that is partitioned and demonstrate that the sum of the cost and rates of the partitioned parts equals the sum of the cost and rate of the unpartitioned rate. PUCO is incorrect.<sup>2</sup> Ameritech provided summary pages for both recurring and nonrecurring costs and rates demonstrating that the sum of the unit costs and rates of the partitioned parts equals the sum of the unit cost and rate of the unpartitioned elements. Appendix B of Ameritech's direct case filed on August 20 in this docket contains the summaries for both the costs and rates originally filed on February 16 in Transmittal No. 697, while summaries with the revisions for those new elements filed by Ameritech in Transmittal No. 730 on August 13 are included in Appendix B.

<sup>1</sup> Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> PUCO at 9.

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Both PUCO and the Association for Local Telecommunications Services (“ALTS”) question the reasonableness of Ameritech’s calculation of a closing factor for the rates in questions.<sup>3</sup> As explained on pages 11-12 of Ameritech’s direct case, the closing factor for Ameritech interconnection services was developed using data on revenues and revenue requirement for Ameritech’s special access services generally, thus guaranteeing, not that Ameritech’s revenues are preserved, but that all appropriate costs of providing a service may be recovered and that interconnection services bear an appropriate portion of Ameritech’s joint and common costs.

In a similar vein, the methodology described above ensures that interconnection services bear a reasonable share of the overheads even though Ameritech cannot demonstrate that current DS1 and DS3 services bear exactly the same overheads.<sup>4</sup> As Ameritech stated in its direct case (at 10), comparisons of overhead loading for DS1 and DS3 services is inappropriate and, in fact, overhead loadings for those services have not been developed. Those rates have been under price cap regulation for almost three years; and, consistent with the intent of the Commission’s price cap orders, the prices of those services have migrated away from fully distributed cost.<sup>5</sup> Expanded interconnection, on the other hand, is not a price cap service and the Commission has indicated that overhead loadings are properly used to price that service.<sup>6</sup>

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<sup>3</sup> PUCO at 9-10; ALTS at 17.

<sup>4</sup> ALTS at 9, 17, 20.

<sup>5</sup> In the Matter of Policy and Rules Concerning Rates For Dominant Carriers, CC Docket No. 87-313, Order on Reconsideration (released April 17, 1991) at paragraph 159.

<sup>6</sup> In the Matter of Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141, Report and Order (released October 19, 1992) at footnote 291.

PUCO, Sprint, and Teleport question Ameritech's inclusion of recurring expenses in nonrecurring charges.<sup>7</sup> In Transmittal No. 697 (D&J at 7) as well as in its direct case (at 12), Ameritech explained that the inclusion of expenses such as maintenance in nonrecurring charges is appropriate because the company will continue to incur these expenses over the life of the service even if the service is discontinued by the original interconnector. All costs have been apportioned based on the anticipated number of interconnectors occupying the space in the central offices.

Teleport complains that Ameritech's repeater rate of \$7.88 per month filed in Transmittal No. 730 is too high.<sup>8</sup> Exhibit 1, page 4, in Transmittal No. 730 demonstrates that the rate in question is properly based on the apportionment of one repeater's share of the cost of a repeater bay plus one repeater's share of the cost of a repeater panel plus the cost of one DS1 repeater. Teleport did not contest Transmittal No. 730.

MFS urges the Commission to prescribe the use of the prime rate averaged over the first six months of 1993 as the local exchange carriers' ("LECs'") cost of debt.<sup>9</sup> Further MFS criticizes LEC cost of debt figures in the 8%-9% range as being too high in light of a lower current prime rate. However, MFS's point ignores the fact that the cost of debt is an embedded figure that varies by entity and reflects the weighted cost of all debt issues in that entity's capital structure. To suggest that the Commission should prescribe a cost of debt based on the prime rate or some average of prime rates would assume that every LEC could refinance its entire debt at that prime rate. That assumption is completely unrealistic since LECs finance their rate bases with long term debt and the prime rate is a short term rate. Setting rates based

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<sup>7</sup> PUCO at 9; Sprint at App. A, p. 8; Teleport at A-4.

<sup>8</sup> Teleport at A-2.

<sup>9</sup> MFS at 3-4.

on some cost of capital using a prescribed cost of debt based on the prime rate seriously risks requiring that rates be set at a confiscatory level.

Sprint complains that Ameritech provides no explanation as to the development of its investments.<sup>10</sup> On the contrary, Ameritech has outlined the development of its investments in its original tariff filing Transmittal No. 697, filed February 16, 1993, (D&J at 6-12) and the work papers filed in Ameritech's reply to oppositions to Transmittal No. 697 filed on April 5, 1993, ("Reply") and in Ameritech's direct case (at 3-9 and Appendices A and B).

Sprint further complains that Ameritech has not indicated how it has allocated common construction costs among customers ordering collocation.<sup>11</sup> Ameritech clarified both in its Reply to (at 10) and in its direct case (at 21) that common construction costs were apportioned among all projected customers based on the expected number of 100 square foot transmission nodes that would be requested within an office over a 3-year period.

ALTS complains that Ameritech charges for power on per a fuse/amp basis as opposed to metering the actual power consumed by interconnectors. As Ameritech indicated in its direct case (at 22), Ameritech considered the cost of providing metered service. However, the cost would have been prohibitive due to the additional cost of procurement and installation of individual meters, secondary power distribution management, periodic meter readings, and the administration of billing. Establishing a cost per fuse/amp provides a flexible, cost effective method for determining the energy usage cost for interconnection customers and permits the customer the ability to determine the energy usage costs up front based on the fuse size required for its individual equipment.

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<sup>10</sup> Sprint at App. A, p. 1.

<sup>11</sup> Id.

Teleport claims that the build out rates for additional space in a central office (“CO”) should be less expensive. Specifically, Teleport asks the FCC to limit the charges for additional space to the direct cost for the additional space.<sup>12</sup> As noted above, the central office build out (“COBO”) costs were averaged over the total expected demand based on 100 square foot increments. Therefore, a request for an additional 100 square foot increment is treated as another order involving the same cost as the first 100 square foot order. When a customer orders an additional 100 square feet of space, whether it is treated as an addendum to the original order or as a new order does not change the total amount of costs incurred in order to make the space available to the customer. Offering an addendum at a lower price would merely result in higher charge for the initial 100 square foot order. This would require every customer ordering interconnection to pay more than the rate currently tariffed for the first 100 square feet.<sup>13</sup>

Both ALTS and PUCO take issue with Ameritech’s full price lease back provision concerning equipment used for interconnection.<sup>14</sup> A point of clarification is in order. Ameritech assumes that the customer ordering collocation will obtain its best price for the transmission equipment that will be collocated. Ameritech, however, will pay a lease rate back to the customer based on the list price of that equipment. That list price lease back payment will then be factored into the interconnection rate, which rate would be the same for all interconnection customers using the same type of equipment. Because the customer will be obtaining lease payments from Ameritech based on the list price of the equipment, it will not be

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<sup>12</sup> Teleport at B-3.

<sup>13</sup> See direct case at 24.

<sup>14</sup> ALTS at 32; PUCO at 7.

denied the benefit of its bargain if it is able to negotiate a lower purchase price for that equipment.

Further, PUCO questions the appropriateness of adding general overhead loadings to the equipment price.<sup>15</sup> As discussed in Ameritech's Reply (at 21), it is appropriate that overhead loading factors be applied to the lease equipment because there are administrative costs associated with obtaining and administering the equipment as well as billing, etc. Customers have not complained and the Commission has already agreed that the use of overheads in pricing is appropriate.<sup>16</sup>

Teleport questions Ameritech's charges for constructing a cage around the transmission node.<sup>17</sup> The \$5,747.00 charge is reasonable. The cage consists of 27 lineal feet of metal cage with a 3-foot door. The fourth side of the cage would be an existing wall. The door would have a Unican-style combination lock, typical for secured spaces within Ameritech buildings. Posts for the cage would be secured both to the ceiling and the floor with ceiling work occurring in the vicinity of cable racking. Since the cage would be constructed in a CO environment, dust protection and related precautions would be necessary, thus increasing construction costs.

Several parties have questioned the methodology used by Ameritech to calculate floor space costs.<sup>18</sup> A determination of market value for each location was impracticable since there is no reasonable way to obtain the market rate for CO space that provides amenities that are not available in any other building.<sup>19</sup> As noted in

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<sup>15</sup> PUCO at 7.

<sup>16</sup> See note 6, supra.

<sup>17</sup> Teleport at A-5.

<sup>18</sup> ALTS at 11, 21; Sprint at App. A, p. 10; MFS at 6-13; PUCO at 8.

<sup>19</sup> MFS recommends that BOMA data be used as the basis for computing costs. BOMA data reflects operating costs for commercial office buildings and only in major metropolitan cities. Commercial office buildings do not provide the same types of features as are available in CO buildings. Therefore, the data would not appropriately reflect the value of the space involved.

Ameritech's direct case (at 13), the best approximation of current value involves the approximation of the cost to reconstruct the building. This is fair. These are costs that interconnector would face if it chose to build the CO building with the same components and systems. Moreover, if it chose to lease typical commercial office space, it would have to spend additional amounts to bring that space up to CO standards.

In that vein, MFS and PUCO claim that Ameritech double recovers its costs by using R.S. Means as a basis for floor space costs and then adding the COBO charge. That is not the case. The Means data provides information applicable to a typical central office. However, Ameritech must then spend additional amounts to provide additional security, air conditioning, ventilation, etc. to customize the interconnector's space.

Teleport alleges that Ameritech is attempting to recoup the costs of new security systems in central offices in connection with its interconnection rates.<sup>20</sup> On the contrary, Ameritech is charging only for a portion of the cost caused by the interconnector's request. Ameritech calculated its cost based on enhancing existing access systems. If a keyed lock system existed, the interconnector would pay for modifications to the existing system to accommodate interconnection. Ameritech did not charge the interconnector for entirely new card access systems. If it did, the tariffed rate would be much greater.

MCI, in its Exhibit 2, has misstated Ameritech's floor space rate at \$7.79 and its DS1 cross connect rate at \$13.97. These rates, as shown on Ameritech's revision to Appendix G found in Appendix A of its direct case, are \$4.05 for floor space and \$6.89 for the DS1 cross connect.

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<sup>20</sup> Teleport at A-5.

Sprint notes that Ameritech's total rate of \$39,240.04 does not match its RAF'd rate of \$40,212.53.<sup>21</sup> As noted on Ameritech's summary of nonrecurring rates in Appendix B of its direct case, the difference is the carrier access billing system ("CABS") charge shown on Appendix 2, page 7, in Ameritech's original Transmittal No. 697. Unfortunately, the Commission's tariff review plan did not have a place to put these CABS figures, thus creating the discrepancy. As noted in Ameritech's direct case (at 11), Ameritech's CABS costs were not properly reflected in the development of rate adjustment factors ("RAFs") that the Commission required in its June 9, 1993, tariff order. In the original tariff transmittal, CABS costs were added to the net present value ("NPV") of other central office build out costs. These CABS costs did not have an NPV calculation associated with them because they will be incurred on a one time basis. The Commission, however, developed the RAFs using information provided by Ameritech in a May 4, 1993 data requests response. Ameritech included the CABS costs in its data request response as part of the other operating expenses, thereby including CABS costs as part of the total direct cost. The Commission used information from the data request to calculate a ratio between the restated direct costs and the direct cost displayed in the data request. This ratio is then applied to the NPV displayed in the data request. Since the direct costs and the NPV on which Ameritech's rates are based did not include the CABS costs, the data used by the Commission overstated the adjustment and did not allow for recovery of these costs. Appendix F of the direct case shows a restatement of the COBO RAF calculation to properly reflect the inclusion of CABS cost. Ameritech had requested that the rates be adjusted to correct this oversight. No party has objected to this request. Therefore, Ameritech requests that the Commission permit this revision of the RAF to include CABS costs.

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<sup>21</sup> Sprint at App. A, p.2.



## II. TERMS AND CONDITIONS

Teleport alleges that Ameritech has made a POT bay an optional feature, thus admitting that it is not essential.<sup>22</sup> That is not entirely true. In Transmittal No. 730, Ameritech modified its interconnection tariff to clarify that a passive bay is required, but that, if the customer chooses not to obtain one from Ameritech, it could provide its own inside its transmission node and permit Ameritech access to that equipment. The equipment is still necessary to provide a point of interconnection and testing between Ameritech facilities and those provided by the interconnector.

ALTS claims that Ameritech requires an extensive use of repeaters without adequate justification.<sup>23</sup> As Ameritech noted in its Transmittal No. 730,<sup>24</sup> repeaters are an optional feature of Ameritech central office interconnection service. If the customer provides its own passive bay and the transmission path is within design limitations, repeaters will not be required.

Teleport recommends that limitations on the time within which central office space must be used be rejected unless it is limited to a year from the time a conflicting collocation request has been received.<sup>25</sup> In general, Ameritech agrees with Teleport. However, Ameritech's tariff provision would require that the space be used within one year from the license date if a conflicting need arises. Teleport would have the twelve month period commence only after a competing request for interconnection has been received. That is unreasonable because the second interconnector would have to wait at least twelve months to find out if the space would be available. This would prohibit the second interconnector from being able to consider use of the

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<sup>22</sup> Teleport at 2.

<sup>23</sup> ALTS at 28.

<sup>24</sup> D&J at 3.

<sup>25</sup> Teleport at B-9.

space for at least another year. Moreover, Teleport would restrict the space use requirement only to those situations involving a request by another interconnector. That is also unreasonable. The space, if not used, should be available for any use, whether telephone company or interconnector related.

ALTS claims that Ameritech's provision for the charging of extraordinary costs is unreasonable and amounts to requiring a collocater to "submit a blank check".<sup>26</sup> This is not true. The extraordinary costs contemplated by the tariff provision are extraordinary because they are unforeseen. Moreover, the tariff sets forth the process for charging extraordinary costs.<sup>27</sup> The procedure involves providing an estimate to the customer in advance and requiring customer approval before proceeding. The customer will be notified of the extraordinary costs along with the expected service date. After the customer receives the information, it must decide if it wishes to proceed. Only after the customer submits a signed letter of election will the work go forth. This is not a "blank check" process.

PUCO generally repeats its concern with the prohibition against the self-provisioning of certain functions.<sup>28</sup> However, the issue was not addressed by the Commission in its designation order and therefore should not be part of the Commission consideration in evaluating Ameritech's tariff.<sup>29</sup>

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<sup>26</sup> ALTS at 32.

<sup>27</sup> See section 16.1.2 (A)(8) on page 599 of Ameritech's Tariff FCC No.2.

<sup>28</sup> PUCO at 8.

<sup>29</sup> Teleport (at B-4) appears to complain against not allowing customers to provide their own connections between non-contiguous spaces in a central office. Given the fact that the cages protecting individual interconnector's spaces are open overhead, the opportunity for accidental damage to another interconnector's equipment or to Ameritech equipment that the cable racking might pass over would greatly increase if Ameritech permitted customers to do their own cabling between non-contiguous spaces. Ameritech determined that it would be best to assume responsibility for that work itself.

MFS, Teleport and PUCO complained that Ameritech's insurance requirements are excessive.<sup>30</sup> As indicated in Ameritech's direct case (at 31), the \$10 million coverage is reasonable in relation to the risk that interconnectors create by operating inside Ameritech central offices. Damage to Ameritech central office equipment could have catastrophic consequences to the interconnector, other interconnectors and Ameritech's customers. Moreover, Ameritech permits self insurance in appropriate circumstances, thus mitigating the "hardship" of the requirement. Finally, Ameritech requires automobile insurance because interconnectors will be driving and parking on Ameritech property. Ameritech has stated that it will not dedicate parking space for an interconnector but it will not prohibit parking.

PUCO and ALTS complain that the notice periods for reclaiming space from an interconnector are unreasonable.<sup>31</sup> As noted in Ameritech's direct case (at 29-30), there is no notice requirement for Ameritech to require relocation within the same building. One hundred eighty days notice is required if no space is available in the same building and relocation to a new building is required. However, in both cases, Ameritech would work with the customer to develop a mutually agreeable schedule and would pay the reasonable costs of moving and reconstruction. Thus, with those qualifiers, the notification provisions are not unreasonable. Rather, they merely give Ameritech sufficient flexibility to manage its space in a manner that it considers appropriate to its changing business needs while still providing the interconnector with reimbursement for the reasonable costs of any dislocation.

ALTS questions the need for an escort in those cases where an interconnector's space cannot be accessed via a separate entrance.<sup>32</sup> As indicated in Ameritech's

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<sup>30</sup> MFS at 23; Teleport at B-20; PUCO at 6.

<sup>31</sup> PUCO at 4-5; ALTS at 37.

<sup>32</sup> ALTS at 29.

direct case (at 18), central offices are highly sensitive areas, and, therefore, access is strictly controlled. In fact, only specifically trained Ameritech employees have unrestricted access to those areas. While certain Ameritech contractors may have unescorted access inside those buildings, they are carefully screened and are specifically instructed as to the care that must be taken and are directly responsible to Ameritech. Using a commercial office analogy, no tenant in a multi-tenant building is given free access to all areas of a building -- especially those areas critical to the operations of the building -- e.g. heating and air conditioning, elevator equipment, etc. Unrestricted access should not be required in this case.

Both Teleport and MFS raise questions about Ameritech and other LECs' liability provisions.<sup>33</sup> As noted in Ameritech's direct case (at 32), Ameritech's tariff provisions do not limit liability for willful misconduct. In the case of physical collocation, Ameritech's tariff provides for customer indemnification arising from the customer's use of the premises. Of course, the customer would not be responsible for claims due to the fault of Ameritech. However, the differences in these provisions is reasonable. In the latter case, the provision is one for indemnification which simply holds a customer responsible for any claims that arise because of its use of Ameritech's space. Ameritech has no supervisory control over the customer's activity in the licensed space and that activity could easily and adversely affect Ameritech's ability to provide service to its other customers.

### III. GENERAL

ALTS has requested that the Commission stay the effectiveness of all rate flexibility granted to LECs.<sup>34</sup> The request is completely inappropriate. As

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<sup>33</sup> MFS at 24-26; Teleport at B-27.

<sup>34</sup> ALTS at 13.

demonstrated in Ameritech's filings, Ameritech has implemented a pro-competitive tariff for expanded interconnection. The rates are reasonable and properly supported. Comments provided by other parties show that there is no substantial reason for the Commission to reject the tariff. Interconnection is available now on reasonable terms and conditions. In that light, it is appropriate that Ameritech be awarded flexibility to respond to the increased competitive pressures that the Commission's expanded interconnection orders have effected.

In light of the foregoing, the Commission should find that Ameritech's tariff rates, terms and conditions are just and reasonable.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michael S. Pabian", written over a horizontal line.

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Dated: September 30, 1993

CERTIFICATE OF SERVICE

I, Sheri L. Kostalek, do hereby certify that a copy of the foregoing Rebuttal of Ameritech has been served on all parties on the attached service list by first class mail, postage prepaid, on this 30th day of September, 1993.

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